COMMONWEALTH of VIRGINIA

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DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
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September 1, 2011

The Honorable Robert F. McDonnell
Governor of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

Honorable Charles J. Colgan
Chairman, Senate Finance Committee
10660 Aviation Lane
Manassas, Virginia 20110-2701

Honorable Delegate Lacey E. Putney
Chairman, House Appropriations Committee
P.O. Box 127
Bedford, Virginia 24523

Gentlemen:

Attached for your review is a report on progress to implement improvements to CSX Transportation's Fredericksburg Yard in Fredericksburg, Virginia as directed in Chapter 890, Item 448.G.1. - 448 G.4. of the 2011 Acts of Assembly [H1500]. The Bill authorizes Industrial Access Railroad Track funds for improvements which reduce the average dwell times of hazardous material shipments subject to regulation under Title 49 CFR Part 174 et seq. to not longer than 24 hours. This report is provided by the Virginia Department of Rail and Public Transportation to:

i. Inform the Senate Finance Committees and House Appropriation Committees of progress to date with CSX, the Department, and the affected localities;
ii. Communicate the concerns of stakeholders in achieving the goals of the project; and
iii. Clarify the next steps which will be taken by the Department and CSX to implement the goals of Items 448.G.1. – 448.G.4. utilizing Industrial Access Railroad Track funds.

Sincerely,

Thelma Drake

Thelma D. Drake

Report On the Progress in Implementing Rail Improvements to the Fredericksburg Rail Yard to Reduce Dwell Times of Hazardous Material Shipments

September 1, 2011

Prepared by:

Virginia Department of Rail and Public Transportation
600 East Main Street, Suite 2102
Richmond, VA 23219

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I. Introduction and Background

Chapter 890, Item 448.G.1. - 448 G.4. of the 2011 Acts of Assembly [H1500] requires the Director of the Department of Rail and Public Transportation, with approval of CSX Transportation, to initiate infrastructure improvement projects which reduce the average dwell times of hazardous material shipments subject to regulation under 49 C.F.R part 174 et seq., which generally allows up to 24 hours of dwell for such materials, in Fredericksburg Yard in Fredericksburg, Virginia.

Improvements may include, but are not limited to, those that (i) increase capacity at existing storage facilities terminating near Fredericksburg; (ii) increase the physical distance between commodity storage areas and residential communities; and (iii) transfer intermediate storage of commodities to locations closer to terminus of the shipment.

Out of the funds available for Rail Industrial Access pursuant to Section 33.1-22.1:1, *Code of Virginia*, up to $450,000 in FY11 and up to $450,000 in FY12 is authorized for associated infrastructure improvements in the City of Fredericksburg and Spotsylvania County.

Item 448 also includes the requirement that the Director of the Department of Rail and Public Transportation report to the Chairmen of the Senate Finance and House Appropriations Committees on the progress in implementing these improvements by September 1 and December 31, 2011.

II. Progress Report

February 21, 2011
CSX sent a letter to Senator Houck regarding potential improvements to address concerns related to the movement and storage of hazardous material rail cars in Fredericksburg and Spotsylvania County. The proposed improvements included:

- Expanding storage capacity at Bowman Center in Spotsylvania County (limited by a Special Use Permit), and
- New track construction at Fredericksburg Yard to increase distance between storage cars and the community from 110 ft to 260 ft.

February 28, 2011
CSX sent a letter to the City Manager of Fredericksburg to communicate actions already taken to address concerns:

- Providing firefighting and response equipment to the Fire Department,
- Developing a Transportation Emergency Response Plan,
- Increasing security at Fredericksburg Yard to prevent trespassing,
- Altering operations to stage more cars in Richmond to reduce volumes in Fredericksburg Yard, and
- Improving operations to increase throughput and moving rail cars through the yard more expeditiously.

CSX also addressed the proposed improvements to Bowman Center in Spotsylvania County and Fredericksburg Yard.

March 14, 2011
Legislation was approved in the 2011 Acts of Assembly that requires the Director of DRPT to enter into Agreement with CSX for improvements to reduce average dwell times to not longer than 24 hours, with authorization to use the Industrial Railroad Track funds.

June 2, 2011
The Director of DRPT and Chief of Rail met with Senator Houck and Jason Powell with the Senate Finance Committee to discuss the proposed improvements in CSX's February 21, 2011, letter. The meeting participants toured Fredericksburg Yard and Bowman Center Industrial park areas. The result of the meeting was a request from Senator Houck that CSX further develop the proposed improvement plans and bring them forward to the Mayfield Community Association, and the City of Fredericksburg elected officials and administrative staff.

June 15, 2011
DRPT presented the proposed improvements and legislation the Commonwealth Transportation Board, requesting allocation of funding for $450,000 in FY11 and $450,000 in FY12. The Resolution passed, enabling DRPT to develop and enter into Agreement with CSX Transportation for FY11 funds and improvements to Fredericksburg Yard.

June 24, 2011
DRPT initiated the project through meetings with CSX to discuss and develop improvements. The parties began drafting an Agreement and the Scope of Work to be covered under the FY11 allocation of $450,000. Negotiations centered upon the legislative language which specifies reduction in dwell times to not longer than 24 hours, which is in excess of the provisions of 49 C.F.R. part 174 et seq.

CSX contended this cannot be achieved in the short term, but that improvements to increase the distance between the community and storage cars are part of a strategy to achieve the goals stated in the legislation.

Negotiations stalled when state and local elected officials rejected the proposed Agreement pending additional community involvement. Communications continued between DRPT, CSX, Fredericksburg, Spotsylvania and Senator Houck.

August 25, 2011
CSX, DRPT, Senator Houck's Office, elected and administrative representatives from Fredericksburg, and representatives from the Mayfield Community Association met to discuss a phased implementation approach that included new track construction in Fredericksburg Yard and at Bowman Center in Spotsylvania County.

CSX TRANSFLO and CSX Transportation pledged to continue to work with the community to address their concerns, including concerns over the storage of hazardous material storage cars at Fredericksburg Yard which are not directly related to the CSX TRANSFLO site at Bowman Center.

III. Next Steps

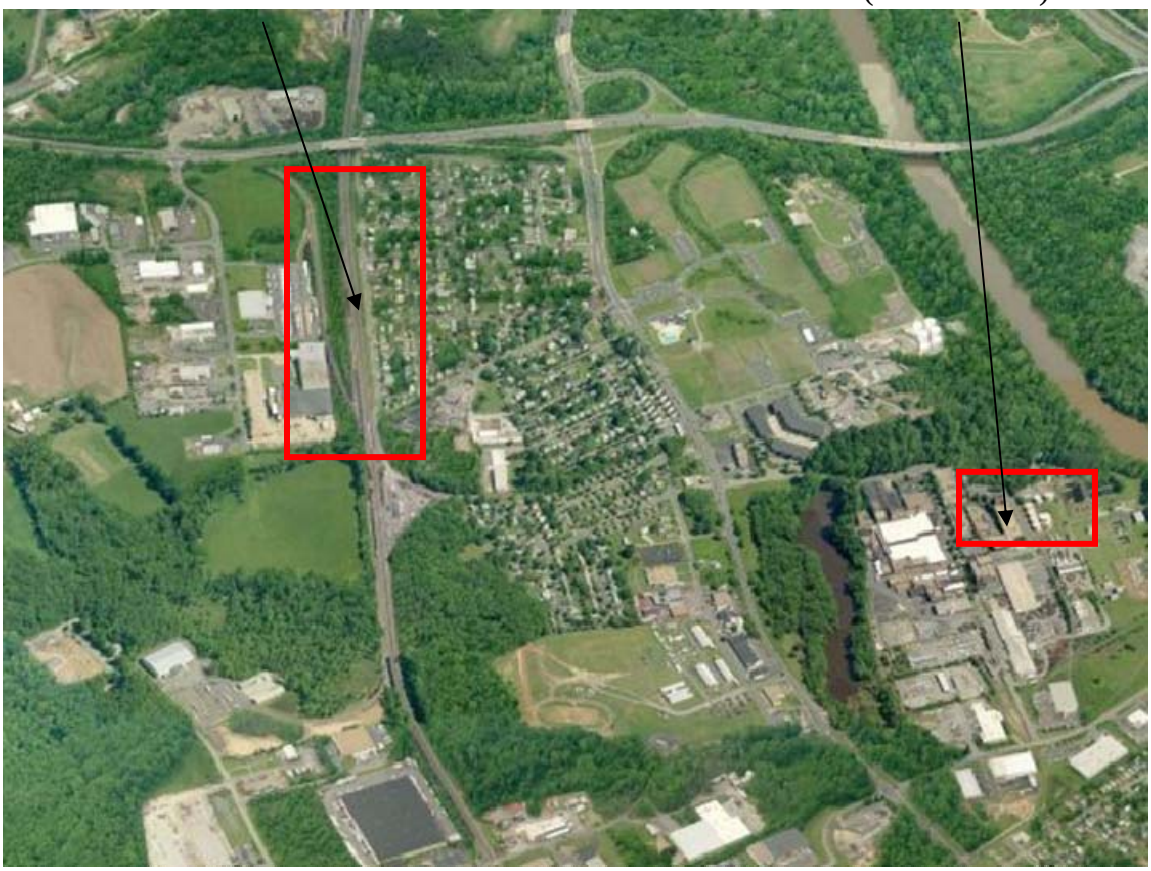
- CSX, DRPT, state and local elected officials, and the Mayfield Community will reconvene at the September 15, 2011, Mayfield Community Association meeting to discuss progress.
- DRPT and CSX Transportation will continue to negotiate an Agreement for improvements utilizing Industrial Access Railroad Track grant funds.
- CSX will work within its operations to address community concerns related to hazardous material storage in Fredericksburg Yard which are not related to the TRANSFLO operation at Bowman Center in Spotsylvania County.
- CSX Transportation and DRPT will continue to coordinate efforts and seek input and involvement of the affected jurisdictions.

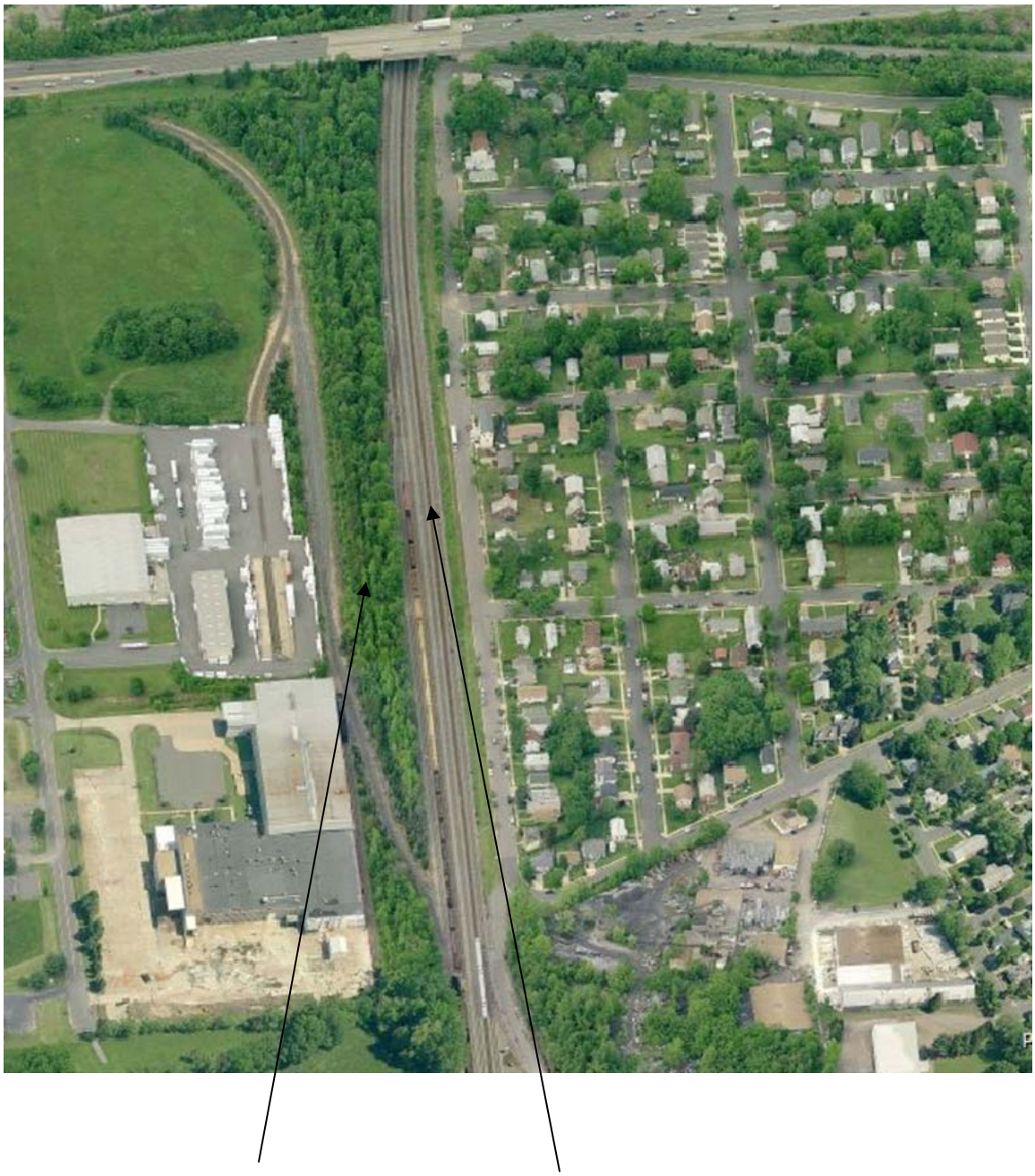
APPENDIX A

FREDERICKSBURG AREA RAIL IMPROVEMENTS

Fredericksburg Yard and Neighboring Community

Bowman Center (TRANSFLO)





CSX Property 4 CSX tracks

The Fredericksburg yard consists of the outer two tracks of a double mainline in the center. Local customers (ethanol, LPG, chlorine, lumber, building products etc) are all served from this yard. The mainline speed is 40 mph through Fredericksburg (including commuter trains).

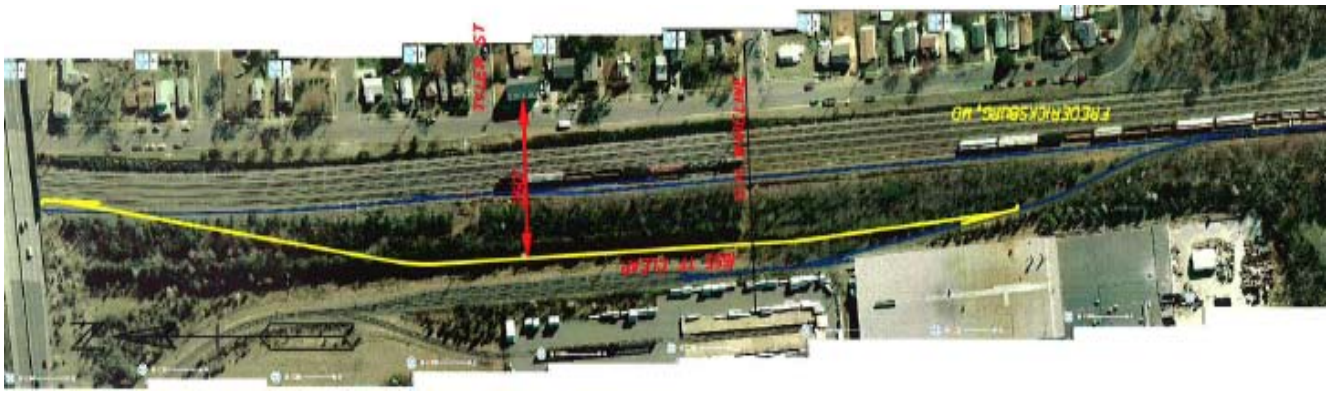
PROPOSED STEP ONE – Fredericksburg Yard Expansion

Expansion of Fredericksburg Yard to increase physical separation of staged cars from neighboring community. New 1600' track would create 26 car spots dedicated to hazardous material loads

1.) Greater rail car distance from community – from 105' to 260' to the first house.
2.) An existing berm will be improved on the east side of new track for greater protection.
3.) Security provisions will developed due to track design.

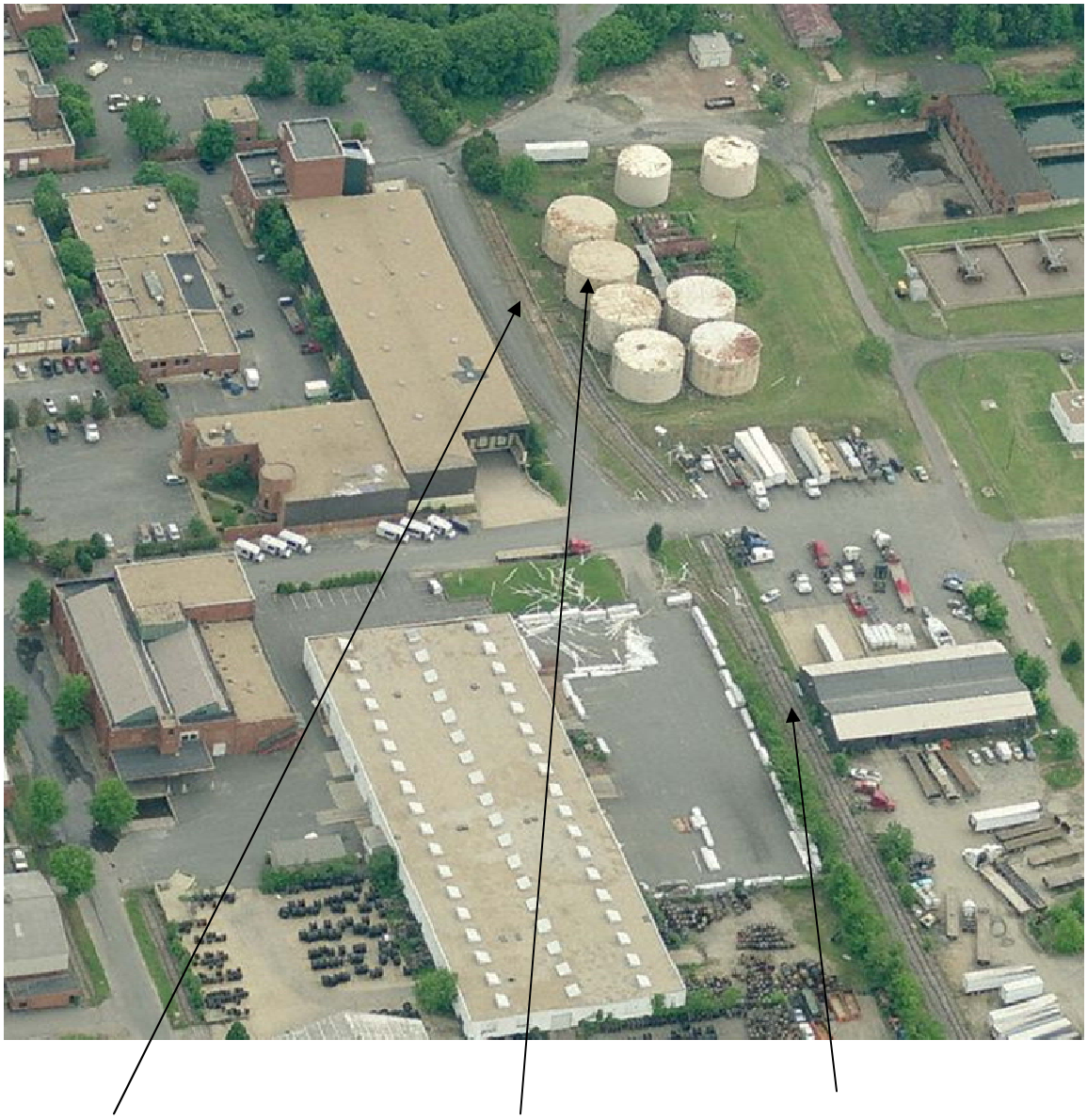
COST (Thousands)	PROJECT CATEGORY
$250.0	New track (1,600')
$90.0	Two switches
$50.0	Grading
$80.0	Fencing and Security
$470.0	**TOTAL**

The above cost is an estimate developed prior to final design. CSX will cover all costs over the Rail Industrial Access Grant.



PROPOSED STEP TWO – Increase the Bowman Center storage

CSX currently stages local traffic on Track One, which will soon be extended to facilitate the extension of VRE to Spotsylvania County. As a result, capacity in the Fredericksburg Yard will be diminished, even after construction of the new yard track. Additional storage in the Bowman Center for ethanol would lower the dwell time in the Fredericksburg Yard for ethanol and improve the loading of outbound trucks, making the operation more efficient. Such expansion would require an amendment to TRANSFLO's Special Use Permit with Spotsylvania County.



Current TRANSFLO operation | Tank storage | Potential track storage Tracks 4 & 5

The current TRANSFLO operation in Bowman holds 10 rail cars or 280,000 gallon of product with a transfer of product directly to truck. Any switching issues can result in a transfer shut down and cause rail cars to dwell longer in the Fredericksburg yard.

Tank Storage - Add fixed storage by rehabbing one or more of the tanks in the Bowman Center. Each of the larger tanks has product capacity for 10 rail cars of ethanol or 280,000 gallons. One additional tank would be needed for containment in the event of a spill.

Track Storage - Install a crossover on tracks 4 & 5 within the Bowman terminal. This would allow an additional 10 cars to be stored in the Bowman Center beyond the current TRANSFLO operation. TRANSFLO has a track mobile available for switching

No costs have been developed for these projects.

APPENDIX B

Please see PDF copy of approved Commonwealth Transportation Board resolution that follows.

COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

Sean T. Connaughton
Chairman

1401 East Broad Street - Policy Division - CTB Section - #1106
Richmond, Virginia 23219

(804) 786-1830
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Agenda Item # 14

RESOLUTION
OF THE
COMMONWEALTH TRANSPORTATION BOARD

June 15, 2011

MOTION

Made By: Mr. Sterling Seconded By: Mr. Bowie

Action: Motion Carried, Unanimously

Title: Rail Industrial Access – CSX Transportation: Fredericksburg Area Improvements

WHEREAS, Section 33.1-221.1:1 of the *Code of Virginia* declares it to be in the public interest that access railroad tracks and facilities be constructed to certain industrial or commercial sites; and

WHEREAS, by passage of Item 448 of 2011 Va. Acts ch. 890, up to $450,000 in FY11 and FY12 Industrial Access Railroad Track funds is authorized for assistance in construction infrastructure improvements in the Fredericksburg and Spotsylvania County area for rail improvements associated with reducing dwell times of hazardous material shipments subject to 49 C.F.R. part 174 *et seq*. in Fredericksburg Yard; and

WHEREAS, Item 448 of 2011 Va. Acts ch. 890 requires the Director of the Department of Rail and Public Transportation, with approval of CSX Transportation, to initiate infrastructure improvement projects which reduce the average dwell times of hazardous material shipments subject to regulation under 49 C.F.R. part 174 *et seq.* in Fredericksburg Yard; and

WHEREAS, CSX Transportation and the Department of Rail and Public Transportation have already begun coordination and planning of potential improvements in both Fredericksburg Yard and the Spotsylvania area; and

WHEREAS, Item 448 of 2011 Va. Acts ch. 890 specifies that in allocation of funds for this project by the Commonwealth Transportation Board, the requirements of Section 33.1-221.1:1, *Code of Virginia*, with the exception of Section 33.1-22.1:1(F), are waived; and

WHEREAS, the Board believes that this project is for the common good of a region of the Commonwealth and serves a public purpose.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby approves $900,000 of the Economic Development, Airport, and Rail Access Fund, with $450,000 allocated in FY11 and $450,000 allocated in FY12, be provided to construct infrastructure improvements which reduce the average dwell times of hazardous material shipments subject to regulation under 49 C.F.R. part 174 *et seq.* within rail yards, depots, sidings, and other intermediate terminals or facilities and properties located in the City of Fredericksburg to not longer than 24 hours, provided and contingent upon:

1. All necessary right of way and utility adjustments being provided at no cost to the Commonwealth.
2. All costs above $900,000, which is allocated herein as an industrial rail access grant, being borne by CSX Transportation or sources other than those administered by the Virginia Department of Rail and Public Transportation.
3. Execution of an agreement acceptable to the Virginia Department of Rail and Public Transportation.

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